

Tasking Memorandum No. 99-69

Memorandum For Distribution

Subject: Annual Report to Congress on Restructuring Costs Under Defense Contracts (TASKING)

Date: December 22, 1998

Suspense Date: January 29, 1999

Target Audience: Corporate Administrative Contracting Officers (CACOs) and Administrative Contracting Officers (ACOs)

Requirements:

- Section 804 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85) requires the Secretary of Defense to submit yearly reports to Congress on restructuring activities no later than March 1 in each of the years 1998 through 2002 for the preceding calendar year. The Defense Contract Management Command (DCMC), in coordination with Defense Contract Audit Agency (DCAA), has been tasked by the Director, Defense Procurement to collect information for the report on calendar year 1998 restructuring activities (copy attached).
- CACOs and ACOs will require DCAA assistance in collecting data. Headquarters, DCAA will send similar instructions to their cognizant field audit offices. Therefore, please coordinate with DCAA's field audit office and ensure report data sent to DCMC Headquarters is consistent with their report.
- The information should be provided in the following format.

PART I

For each business combination occurring on or after August 15, 1994, for which DoD has paid restructuring costs, provide the following information in the chart below: (1) the DoD share of estimated restructuring costs and savings that were expected to be achieved on defense contracts at the time of USD(A&T) certification or determination, and (2) the DoD share of estimated restructuring costs and savings associated with the restructuring that have been realized as of the end of calendar year 1998.

The five business combinations that occurred from August 15, 1994 through December 31, 1998, for which DoD has paid restructuring costs, are listed below for your convenience. Provide clarifying comments in footnotes, as considered necessary. Round dollar amounts to the nearest tenth of a million, e.g., \$123.4 million.

		DoD Share of Estimated Restructuring Costs and Savings (Dollars in Millions)			
		At Time of Certification ¹		Actual Experience ²	
Business Combination	Date of Bus Comb	Costs	Savings ³	Paid Costs	Realized Savings ³
Northrop Grumman / Vought Aircraft ⁴	Aug 31, 1994				
GM Hughes Electronics CAE-Link	Feb 25, 1995				
Lockheed Martin Marietta (3 Sectors) ⁵	Mar 15, 1995				
Northrop Grumman Westinghouse / Norden Sys. ⁶	Mar 01, 1996				
Lockheed Martin Loral (Electronics Sector)	Apr 23, 1996				
TOTAL					

Footnotes:

1. The DoD share of estimated restructuring costs and savings at the time of certification are projected for a five-year period only; however, savings are expected to continue beyond the five-year period. Amounts are shown on a present value basis.
2. Actual experience is the DoD share of estimated restructuring costs paid and estimated savings realized as of December 31, 1998.
3. Savings are gross amounts.
4. Costs and savings data relating to the Vought Aircraft Co. portion of the business combination, which occurred on August 31, 1994, cannot be segregated from the costs and savings related to the Northrop/Grumman business combination which occurred on April 18, 1994.
5. The Lockheed/Martin Marietta restructuring includes three sectors: Electronics, Information, and Space.
6. Costs and savings related to Northrop Grumman Corporation's acquisition of Westinghouse Electric Corporation's Electronic Systems Group and its associated subsidiaries, including Norden Systems, which occurred on March 1, 1996, cannot be segregated from the costs and savings related to Westinghouse Electric Corporation's acquisition of Norden Systems, Inc., which occurred on May 31, 1994.

PART II

For each business combination occurring on or after August 15, 1994, for which DoD has paid restructuring costs, provide a discussion of whether the business combination would have proceeded without the payment of restructuring costs by DoD. This information should be requested from the contractor. Do not resubmit contractor responses provided in previous reports.

- PLAS Code 047A, Contractor Restructuring Associated with a Business Combination, should be used for this effort.
- Please provide the information electronically to Mr. William Hill at the e-mail address noted below no later than the close of business, January 29, 1999.

Point of Contact for Further Information:

Mr. William Hill

DCMDI-RO

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Attachment